

**Background and Purpose**

Elementary and secondary schools in California currently spend over \$55 billion to provide a high-quality education for six million children. In accounting for these dollars, it is important to identify not only the types of expenditures (e.g., salaries, books, equipment), but also the specific objective or purpose of those expenditures (e.g., special education program, vocational education program). Program cost accounting is an accounting method whereby this important identification of all costs of a program can be accomplished.

Before the Standardized Account Code Structure (SACS) was instituted, local educational agencies (LEAs) had to use a separate state reporting document (J-380/J-580) to identify the costs of programs. The manner in which LEAs were required to report costs by program was not necessarily the manner in which they were actually accounted for in the LEAs' books. Therefore, although the method employed at the state level for identifying program costs was standardized, it did not necessarily reflect the costs of those same programs as accounted for at the local level.

With SACS accounting, the basic premise of program cost accounting remains unchanged—an attempt to identify all of the costs of programs. Because the account code structure is comprehensive, LEAs now can account for the costs of their programs in the structure itself. SACS information submitted to the California Department of Education now better reflects how LEAs actually charge costs to programs. Note, however, that the level of documentation needed for program cost accounting may not be sufficient for all purposes; a more detailed level of documentation may be necessary for other purposes, such as dividing salaries between resources (see Documenting Salaries and Wages Charged to State Programs in Procedure 407, Part I of CSAM) or identifying costs for mandated cost claims.

In SACS the goal field provides the framework for program cost accounting. Throughout this section the terms “goal” and “program” are virtually interchangeable.

**Classifying Costs**

For the purposes of program cost accounting, expenditures are classified as direct costs, central administrative costs, or other costs. The total costs of a program (goal) will include both direct costs and central administrative costs. Other costs, such as facilities acquisition and construction and debt service, are not attributable to any particular goal and are kept separate.

**A. Direct Costs**

Direct costs are expenditures that can be identified specifically with a particular goal or “cost objective.” In education, cost objectives are generally the instructional programs and services provided by the LEA. All costs benefiting instructional programs and services fall under the category of direct costs whether they are directly charged to a goal at the time of the transaction or are subsequently allocated to a goal during preparation of the SACS program cost report (PCR).

**1. Direct Charged Costs**

Direct charged costs are those expenditures that are directly charged to a particular goal (cost objective) at the time of the transaction. Two things must be considered when charging costs to a goal:

1. Expenditures that are directly charged to specific goals require supporting documentation indicating how the expenditures relate to the goals being charged. For example, salaries may be documented to a goal by identification with a position in the personnel/payroll system, an individual's contract, or a class schedule with assigned student enrollment.
2. As outlined in Procedure 104 of CSAM, Part II, expenditures in the instructional functions (1000s), ancillary functions (4000s), and community service functions (5000s) must be directly charged to specific goals; expenditures in other support functions may be directly charged to specific goals or the

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Undistributed Goal0000. Expenditures charged to Goal 0000 will be subsequently allocated in the PCR (explained later in item 2, Allocated Direct Costs).

*Note:* This section provides guidance for directly charging salaries to specific goals. The requirements for documenting salaries paid with federal funds and state restricted funds (resources) are addressed in Procedure 407, Part I of CSAM.

Salaries that are directly charged to specific goals require supporting documentation indicating how the expenditures benefited the goals being charged. The supporting documentation should be consistent and verifiable.

### Examples of Documenting Direct Charged Costs

#### A. Instructional Salaries

Following are general guidelines regarding how instructional salaries directly charged to specific goals may be documented:

- Generally, the class roster provides sufficient documentation for substantiating the salaries of classroom teachers to specific goals.
- The documentation of salaries for instructional aides may be based on their assignment to teachers with class rosters or to the category of student to whom they are assigned.

#### B. Noninstructional Salaries with a Single Goal

In most situations, it is appropriate to charge noninstructional salaries to the Undistributed goal, Goal0000, for later allocation using standardized factors such as Full-time Equivalent (FTE) Teachers or Classroom Units (CUs). However, in some cases it may be possible to directly charge a noninstructional salary to a single specific goal. For example:

- The contract or job description of a school nurse or counselor may specify the category of student they will solely serve, such as special education students.
- The contract or job description of a project director may specify the category of student served, such as a Director of Adult Education or ROC/P Administrator.

#### C. Noninstructional Salaries with Multiple Goals

If noninstructional salaries are directly charged to multiple goals, documentation should support the amount of time spent on each goal. (Meeting the requirements for documenting these salaries to one or more restricted resources will probably also sufficiently document the goal served.)

- The salaries of certificated administrators in instruction-related services (functions 2100 through 2700) or certain pupil services (functions 3100 through 3160 and 3900) that are directly charged to multiple goals should be supported by time activity reports documenting the time spent on the specific goals. In many cases, the documentation provided by a time card or personnel activity report (PAR) required for restricted resources will be sufficient documentation. (For detailed information on PARs, see Procedure 407, CSAM, Part I.)
- Noninstructional salaries of personnel other than administrators may be supported by time activity reports, semiannual certifications, current job descriptions, or employee contracts. If job descriptions or contracts are used for documentation, they must be regularly reviewed and updated to ensure that they are current and reflect the actual activities of the staff. The actual charges should be based on actual time spent on specific goals rather than on budgeted figures.
- The salaries of classified support staff in the instruction-related and pupil services functions described above should usually be distributed to the same goals and in the same ratio as the salaries of the certificated personnel to whom they report.

**D. Salaries with Multiple Resources and Goals**

Division of salaries between resources demands a higher level of documentation than division between goals or between functions, but this documentation should, in most cases, support the division between goals. For example:

- A counselor is hired to serve all students. The counselor's salary is paid with a combination of unrestricted resources, a special education apportionment, and a federal categorical grant for low-income students. The split of the salary among these three resources must be documented by a time card or PAR. This documentation will also serve as the documentation between goals.
- A project director's salary is split among four categorical funding sources. The split of the salary among these four resources must be documented by a time card or PAR. This documentation will also serve as the documentation between goals.
- A school psychologist is under contract to serve all students. Part of the psychologist's time is spent doing assessment testing for special education children with existing IEPs. If the salary is partially paid with special education money, then the documentation of salaries split among resources will also support the split among goals. If the psychologist is paid solely with unrestricted money, but the LEA wishes to directly charge this cost among goals, then the charges among goals must be supported by time reports, calendars, or other documentation of actual time spent on multiple goals.

As stated previously, if supporting documentation for charges to specific goals is not readily available for expenditures in support functions (that is, functions other than instruction, ancillary services, and community services), the costs should be charged to the Undistributed goal, Goal 0000, and subsequently distributed to specific goals based on appropriate allocation factors.

**2. Allocated Direct Costs**

Allocated direct costs are those expenditures that are direct costs in various support activity cost centers (functions) that have not been directly charged to specific goals. These costs are accumulated in the Undistributed goal. For each support function, a unit of measure or allocation basis is selected that directly relates the costs of that activity to a program (goal).

Costs most commonly allocated are functions 2000–2999, Instruction-Related Services, and functions 3000–3999, Pupil Services (except Function 3700, Food Services). Other functions that may be allocated are Function 8100, Plant Maintenance and Operations; Function 8700, Facilities, Rents, and Leases; and Function 7700, Data Processing Services.

LEAs are not required to allocate in their accounting records the costs of support functions accumulated in the Undistributed goal, but for those functions that remain in the Undistributed goal, LEAs must provide allocation factors in the SACS PCR so that the costs can be distributed for program cost accounting purposes to the various programs. The SACS software will distribute the costs to goals based on the allocation factors provided by the LEA in the software.

If allocated costs are recorded in the LEA's records, use Object 7370 within a fund or Object 7380 between funds.

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### Allocation Factors

The following allocation factors should be used to distribute direct costs from the Undistributed Goal 0000 to specific goals:

1. Full-Time Equivalent (FTE) Teachers
2. Classroom Unit (CU)
3. Pupils Transported (PT)
4. Workstations

FTE Teachers	<p>The ratio of assignment hours to the number of hours that constitute a full-time assignment. The count includes all teachers or assistant teachers (certificated or classified) with active student registers and who are generating average daily attendance. (For more detail, refer to Procedure 702, CSAM, Part I.)</p> <p>The four common categories for assignments are as follows:</p> <ol style="list-style-type: none"> <li>1. Single assignment: a full-time teacher assigned to one goal is counted as 1 FTE unit.</li> <li>2. Split assignment: a full-time teacher assigned to two or more goals is split between the classifications based on the hours in each assignment.</li> <li>3. Semester assignment: a full-time teacher assigned to programs of one semester or less is counted as 0.5 FTE unit. Full-time teachers assigned to programs of more than one semester are counted as 1 FTE unit.</li> <li>4. Part-time assignment: prorate using the basic definition above.</li> </ol>
Classroom Unit (CU)	<p>A calculation developed by taking the total square footage of an area and dividing it by 960. Operational buildings (warehouses, maintenance shops, and transportation facilities) are converted to classroom units by dividing the total square footage by 2,880. LEAs need to keep site maps current for usage of areas by goal classifications because the classroom units are the basis for distributing support function costs to instructional areas by goal. (For more detail, refer to Procedure 702, CSAM, Part I.)</p>
Pupils Transported (PT)	<p>The number of pupils transported, which is determined by counting the number of pupils in each program transported from home to school. Special education pupils receiving home-to-school transportation may be counted as PTs in the special education program only if home-to-school transportation is required in the children's individualized education programs (IEPs). (For more detail, refer to Procedure 702, CSAM, Part I.)</p>
Workstations	<p>The number of computer terminals, personal computers, or data processing work areas assigned to goals listed as "Instructional" or "Other" in Section 104, CSAM, Part II. Do not include school/district office workstations, those used exclusively by data processing general administration staff, or those applicable to non-General Fund programs. For workstations that are included, records need to be kept that indicate how these stations relate to the LEA goals.</p> <p><i>Note:</i> In SACS program cost accounting, data processing services costs in goals 0000 and 9000 default to being attributable to central administration. If the costs all remain as attributable to central administration, workstation factors are not needed; workstation factors are needed only if there are data processing services costs identified as non-central administration.</p>

### Allocation Factor for Each Function

<u>Function</u>	<u>Description</u>	<u>Factor</u>
2100	Supervision of Instruction	FTE
2420	Instructional Library, Media, and Technology	FTE
2490	Other Instructional Resources	FTE
2700	School Administration	FTE
3110	Guidance and Counseling	FTE
3120	Psychological Services	FTE
3130	Attendance and Social Work Services	FTE
3140	Health Services	FTE
3150	Speech Pathology and Audiology Services	FTE
3160	Pupil Testing Services	FTE
3600	Pupil Transportation	PT
3900	Other Pupil Services	FTE
7700	Data Processing Services (Allocated DP costs are excluded from the central administration costs pool)	Workstation
8100	Plant Maintenance and Operations	CU
8700	Facilities Rents and Leases	CU

### Example of Distributing Direct Support Costs by Allocation Factors

Total direct costs in Function 3140, Health Services, under Undistributed Goal 0000, are distributed to goals using the number of FTE teachers in each instructional goal. A ratio for each instructional setting is determined by dividing the total FTEs in each goal by the total of all FTEs. In this example, this ratio is then applied to the costs in Function 3140, Health Services, and the prorated costs are distributed by using Object 7370.

Debit	01-0000-0-1110-3140-7370	\$500,000	K–12 Regular Education
Debit	01-0000-0-6000-3140-7370	\$100,000	ROC/P
Debit	01-0000-0-3200-3140-7370	\$100,000	Continuation Schools
Debit	01-0000-0-5001-3140-7370	\$150,000	Special Education
Credit	01-0000-0-0000-3140-7370	\$850,000	Undistributed

Note that the costs have been allocated to goals, not to resources. LEAs may allocate the direct costs further to resources. If the LEA chooses to leave program cost accounting allocations to CDE, only Resource 0000 will be used.

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### B. Central Administrative Costs

Central administrative costs are those business and administrative costs that benefit the entire LEA (e.g., accounting, budgeting, personnel, purchasing, etc.). The central administrative costs include all General Administration functions 7000–7600 and undistributed costs in Function 7700, Data Processing Services.

LEAs have the option to distribute in their books the central administrative costs to specific goals for program cost accounting purposes or, absent such action, CDE will calculate and distribute such costs for the LEA in the SACS PCR. LEAs choosing to distribute central administrative costs for program cost accounting purposes should use the following procedures:

- Step 1** Determine whether there are costs in the Undistributed goal of the General Fund for these functions: Instruction-Related Services, Pupil Services (other than Food Services), Plant Maintenance and Operations, and Facilities Rents and Leases. If there are costs in the Undistributed goal, then allocate those costs to the other goals using the appropriate factors.
- Step 2** Calculate the direct costs for each of the goals of the General Fund, other than the Undistributed goal, by including the following functions: Instruction, Instruction-Related Services, Pupil Services (other than Food Services), Ancillary Services, Plant Maintenance and Operations, Facilities Rents and Leases, and Data Processing Services.
- Step 3** Calculate the base to be used in the calculation of the ratio for distributing central administrative costs by adding the direct costs of all the goals, except the Undistributed goal, in the General Fund (Step 2) and the current expenditures in the Adult Education, Child Development, and Cafeteria funds (objects 1000–5999).
- Step 4** Calculate the ratio to be used for distributing Board and Superintendent costs by dividing costs in Function 7100 by the costs calculated in Step 3.
- Step 5** Calculate the ratio to be used for distributing the Other General Administration costs by dividing the costs in Function 7200 by the costs calculated in Step 3.
- Step 6** Calculate the ratio to be used for distributing the Data Processing costs by dividing the costs in Function 7700 in the Undistributed goal by the costs calculated in Step 3.
- Step 7** Calculate the portion of the Board and Superintendent costs that should be distributed to each goal by multiplying the ratio calculated in Step 4 times the direct costs of each goal. For each goal, compare the calculated amount with the amount of Board and Superintendent costs (Function 7100) that have already been charged to each goal, if any. The difference is the additional amount that would be transferred for program cost accounting to each goal.
- Step 8** Calculate the portion of the Other General Administrative costs that should be distributed to each goal by multiplying the ratio calculated in Step 5 times the direct costs of each goal. For each goal, compare the calculated amount with the amount of Function 7200 that has already been charged to each goal, if any. The difference is the additional amount that would be transferred for program cost accounting to each goal.
- Step 9** Calculate the portion of the Data Processing costs for each goal by multiplying the ratio calculated in Step 6 times the direct costs of each goal. This is the additional amount that would be transferred for program cost accounting to each goal.

### **Transferring Central Administrative Costs**

Central administrative costs are transferred using Object 7310 within a fund or Object 7350 between funds; the Undistributed goal is reduced (credited), while the specific goals are increased (debited). (Costs being transferred that are administrative in nature but are not indirect costs for purposes of the indirect cost rate calculation should be transferred using Object 7370 within a fund or Object 7380 between funds.)

Example: Assume that Other General Administration costs of \$60,000 should be distributed to the Regular Education goal, and \$30,000 should be distributed to the Special Education goal. The entries would be as follows:

Dr	01-0000-0-1110-7200-7310-000	\$60,000
Dr	01-0000-0-5001-7200-7310-000	\$30,000
Cr	01-0000-0-0000-7200-7310-000	\$90,000

Example: Assume that Data Processing costs of \$4,000 should be distributed to the Regular Education goal, and \$2,000 should be distributed to the Special Education goal. The entries would be as follows:

Dr	01-0000-0-1110-7700-7310-000	\$4,000
Dr	01-0000-0-5001-7700-7310-000	\$2,000
Cr	01-0000-0-0000-7700-7310-000	\$6,000

Example: Assume that Board and Superintendent costs of \$10,000 should be distributed to the Regular Education goal, and \$5,000 should be distributed to the Special Education goal. The entries would be as follows:

Dr	01-0000-0-1110-7100-7370-000	\$10,000
Dr	01-0000-0-5001-7100-7370-000	\$5,000
Cr	01-0000-0-0000-7100-7370-000	\$15,000

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### **C. Other Costs**

Other costs are those costs that are not included as program costs. The costs in food services, enterprise, facilities acquisition and construction, and other outgo functions are other costs. They are generally accumulated in the Undistributed goal. If an LEA directly charges other costs to a specific goal, such costs will be excluded from any computation of a total program cost.

### **Summary of Cost Distribution by Function**

This section is an overview of the ways to distribute and/or record program costs within the frameworks of function and goal.

#### **1000–1999 Instruction**

- These costs are direct costs and must be directly charged to a specific goal.
- These costs cannot be charged to the Undistributed goal.
- Special Education Instruction functions cannot be charged to the Special Education—Unspecified goal.

#### **2100–2999 Instruction-Related Services**

2100 Supervision of Instruction

2420 Instructional Library, Media, and Technology

2490 Other Instructional Resources

2700 School Administration

- These costs are direct costs and may be directly charged to a specific goal.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be reclassified to a specified goal or a more appropriate function.
- The allocation basis is FTE teachers in each instructional setting.

#### **3000–3999 Pupil Services**

3110 Guidance and Counseling Services

3120 Psychological Services

3130 Attendance and Social Work Services

3140 Health Services

3150 Speech Pathology and Audiology Services

3160 Pupil Testing Services

- These costs are direct costs and may be directly charged to specific goals.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be reclassified to a specified goal or a more appropriate function.
- The allocation basis is FTE teachers in each instructional setting.

3600 Pupil Transportation

- These costs are direct costs and may be directly charged to a specific goal.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be reclassified to a specified goal or a more appropriate function.
- The allocation basis is pupils transported in each instructional setting.



3700 Food Services

- These costs are considered other costs and are generally accumulated in the Undistributed goal.
- Costs may be directly charged to a specific goal. However, these costs are not considered program costs of a particular goal in a standard cost report; instead, they are considered “other” costs.
- Costs cannot be allocated for purposes of program cost accounting.

3900 Other Pupil Services

- These costs are direct costs and may be directly charged to a goal.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be reclassified to a specified goal or a more appropriate function.
- The allocation basis is FTE teachers in each educational setting.

**4000–4999 Ancillary Services**

- These costs are direct costs and must be directly charged to a goal.
- Costs cannot be charged to the Undistributed goal. The goals applicable to this function are Regular Education, Alternative Schools, Continuation Schools, Opportunity Schools, Specialized Secondary Programs, and Nonagency activities.
- Costs cannot be allocated for purposes of program cost accounting.

**5000–5999 Community Services**

- These costs are direct costs and must be directly charged to specified goals.
- Costs cannot be charged to the Undistributed goal. The goals applicable to this function are Nonagency, Community Services, and Child Care Services.
- Costs cannot be allocated for purposes of program cost accounting.

**6000–6999 Enterprise**

- These costs are considered other costs and are accumulated in the Undistributed goal.
- Costs cannot be allocated for purposes of program cost accounting.

**7000–7999 General Administration**

7100 Board and Superintendent

- These costs are central administrative costs and are accumulated in the Undistributed goal.
- Costs may be distributed based on the proportion of direct costs of each goal.

7200 Other General Administration

- These costs are central administrative costs.
- Costs may be distributed based on the proportion of direct costs of each goal.

7700 Data Processing Services

- These costs could be direct or central administrative costs.
- Costs may be accumulated in the Undistributed goal. Once identified, costs may be documented to a specified goal or a more appropriate function.
- The allocation basis is workstations in each educational setting.

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### **8000–8999 Plant Services**

#### 8100 Plant Maintenance and Operations

- These costs are direct costs and may be directly charged to a specific goal.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be reclassified to a specified goal or a more appropriate function.
- The allocation basis is classroom units.

#### 8500 Facilities Acquisition and Construction

- These costs are considered other costs and are generally accumulated in the Undistributed goal.
- Costs may be directly charged to a specific goal. However, these costs are not considered program costs of a specific goal in a standard cost report; instead, they are considered “other” costs.

#### 8700 Facilities Rents and Leases

- These costs are direct costs and may be directly charged to a specific goal.
- Costs may also be accumulated in the Undistributed goal. Once identified, costs may be documented to a specified goal or a more appropriate function.
- The allocation basis is classroom units.

### **9000–9999 Other Outgo**

#### 9100 Debt Service

#### 9200 Transfers Between Agencies

#### 9300 Interfund Transfers

- These costs are considered other costs and are generally accumulated in the Undistributed goal.
- Costs may be directly charged to a specific goal. However, these costs are not considered program costs of a particular goal in a standard cost report; instead, they are considered “other” costs.
- Costs cannot be allocated.